

The economy of French Guiana in 2011 Continued buoyancy

The economic situation of French Guiana remained buoyant in 2011 with a pickup in economic activity at the end of the year.

Despite the continued deterioration of the labour market and an even higher increase in prices, household consumption and business investment were well-oriented. The French Guianese market which still benefits from marked demographic growth generating requirements in terms of consumption, and infrastructure has become a "magnet" for West Indian investors who are faced with the maturity of their own market. These investors occupy, among others, the real estate and large retailer sectors.

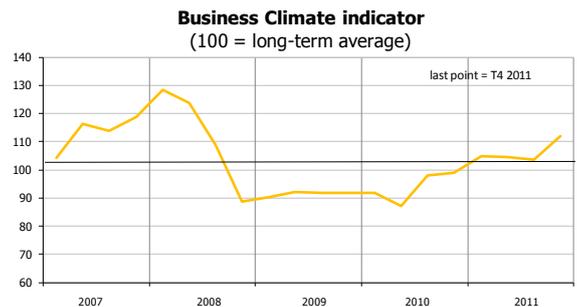
The space industry and the construction sector continued to stimulate the economy.

Financing activities which experienced moderate growth from the start of the year, surged late 2011 supported by the evolution of outstanding investment credits and on-going evolution of home loans. Savings inflows also recorded a marked rebound during the fourth quarter notably due to a high increase in the overnight deposits of the economic agents.

A WELL ORIENTED END OF YEAR

Business climate recovers

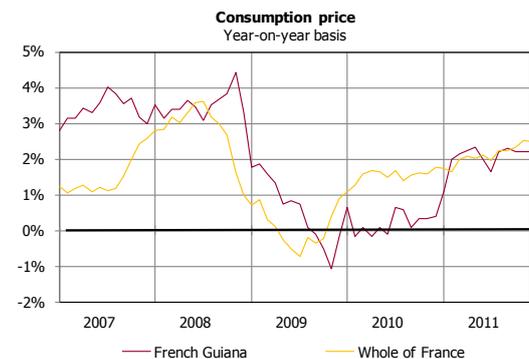
Since the first quarter of the year, the business climate indicator (BCI) exceeded its long term average after two years at a lower level. Despite a slight decrease during the third quarter of 2011, the BCI rose sharply at the end of the year.



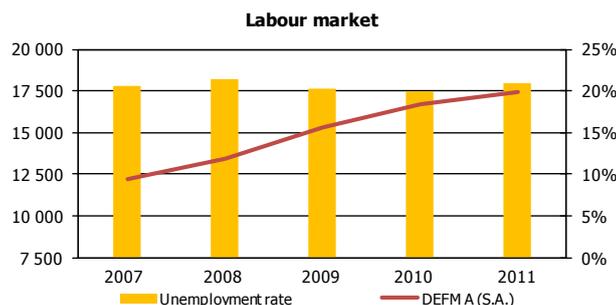
Price increase in keeping with the national rate

2011 was characterised by revived price increases in French Guiana. After two years of relative stability (-0.2% in 2009 and +0.4% in 2010), it followed the trend of the whole of France.

The price index rose by 2.2% on a year-on-year basis at the end of December 2011. It was driven by the price increase of all consumer items and more specifically energy prices (+12.4 %).



Continued deterioration of the labour market



The labour market situation remained difficult, marked by the mismatch between labour supply and demand and a significant unemployment halo (people who would like to work but are classified as inactive), which is almost the same as the number as unemployed persons. There was very little change in the unemployment rate (21.0 % in June 2011) and the unemployment rate of young people (under 25 yrs old) remained especially high (47.8 %).

The number of job seekers (DEFM A) rose by 4.5% between December 2011 and December 2010 (against + 10.9% /year on average for the three previous years). At the same time, the (RSA-Revenu de Solidarité Active), set up on 1

number of beneficiaries of the earned income supplement January 2011 exceeded 16,000 people at the end of the year

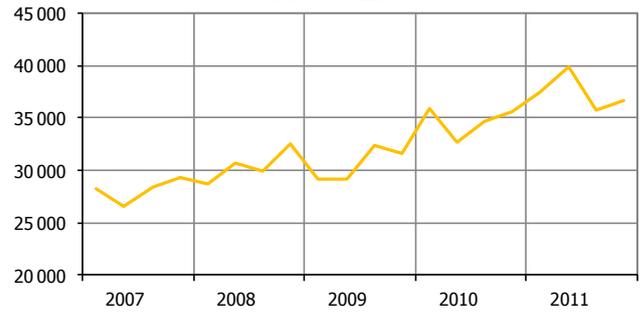
Household consumption well-oriented

Household consumption remained well-oriented over the year despite signs of a downturn in the third quarter.

The merchants questioned as part of the IEDOM economic survey reported an increase in their business and consumer goods imports rose by 8% in value over a year and there was an increase of 4.4% in the sales of new vehicles to private individuals.

The large retail sector welcomed a newcomer to the "medium and large-sized supermarket sector with the opening of a new hypermarket in the second half of 2011. By contrast, there was increased vulnerability of households noted through the rise in bank card confiscation (+13.5%), the number of individuals prohibited access to certain banking facilities (+6.5%) and the number of insolvency files presented to the commission (+.7%).

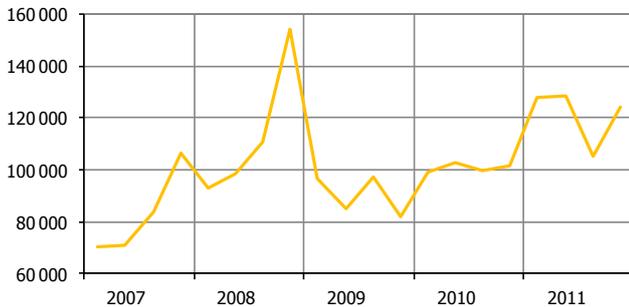
Imports of consumer goods
in millions of Euros



Source: Customs, S.A quarterly data

Rise in corporate investment

Imports of Capital Goods
in millions of Euros



Source: Customs, S.A quarterly data

There was continued gradual recovery of corporate investment following a mixed picture in 2010. Capital goods imports increased significantly (+ 20.5 % in value over a year) in particular in relation to the business activity of the space sector and preparation of the campaigns for space launchers Soyuz and Vega. The number of private investment projects from West Indian investors also followed an upward trend given the attractiveness and market potential of the territory. Public investment remained stable with continued renovation of the port harbours as well as building of school and transport infrastructure. The IEDOM economic survey highlighted a rise in investment forecasts at the end of the year after a wait-and-see period.

Bank-based financing of investment gained momentum especially at the end of the year. Outstandings on corporate investment credit rose by 19% over a year as at late December and those on public investment credits to local authorities rose by 6%.

Household investment remained well oriented, as they took advantage, notably in terms of real estate, of the forecast end of a certain number of tax breaks.

Increased imports

The steady progress of imports continued in 2011 (+2.6 % s.a following + 13.9 % s.a in 2010), in particular on the agrifood products, oil products and transport equipment supported by the sound consumer standing and the increase in oil prices. The revenue from dock dues on household and corporate goods increased during 2011 (+8.8 % s.a, following +6 % in 2010 and -2 % in 2009).

Exports suffered a slight decline (-3.9 % s.a).

THE SPACE INDUSTRY AND THE CONSTRUCTION SECTOR: DRIVING FORCES

The agricultural sector as bleak as ever

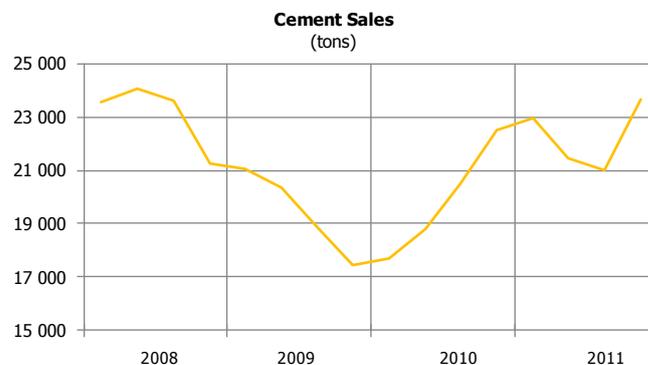
The activity of the primary sector and the agrifood sector has slowed down and decreased slightly at the end of the year. Exports of foodstuffs declined in value (-12.6% s.a) and there was also a fall in the quantities of fish shipped with respect to the previous year (-9.8% s.a), whereas the exported tonnage of shrimp increased +5.5% (s.a) despite the significant downturn at the end of the year. The fishing sector remained hindered by the low infrastructure and problems of illegal fishing; at the end of the year, the sector was affected by bankruptcy of a ship owner specialised in shrimp which had been experiencing financial difficulty for roughly ten years.

The volumes of bovine and pork slaughtering also decreased (-17% s.a over the year).

Production in the rice industry remained at a standstill given the interruption during 2010 of the activities of SOS, the Spanish group farming the Mana rice fields. Mid-2011, the Deoleo group, formerly SOS, made the decision to restart farming however it was confronted with regulatory difficulties (concerning plant protection products) from the European Union.

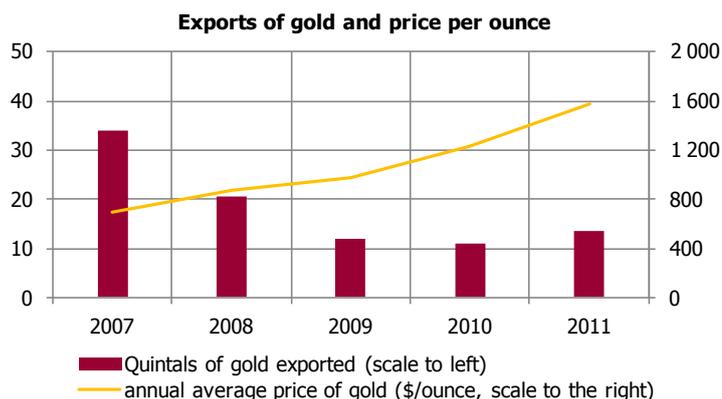
Buoyant construction sector

Demand remained very high both in terms of infrastructure and housing despite the end of major works. Housing needs were assessed at 3,500/4,000 homes per year against a production that is half that amount. Local operators (in particular the three mixed economy companies) experienced major difficulties in terms of market forecast and capacities to meet this demand. Business surged at the end of the year supported by projects related to the construction of new social housing (Soula zone), urban planning (Balata interchange) and was boosted by the forecast end of certain tax exemption measures. There was an increase of 12% over the year in cement sales.



Source: Guyanais Cement - excluding fillers and binders, S.A quarterly data

Subdued production of traditional French Guianese industries



Source: Customs. AFD

There seems to be an interruption in 2011 in the declining volumes of gold produced and exported which had been at work for over a decade. The sector was largely affected by clandestine gold mining (assessed at 7 to 10 tons per year despite measures to destroy illegal sites) and by a tightening of regulatory policies. In 2011, French Guiana officially exported 1.35 tons of gold worth € 46M. The precious metal confirmed its status as a safe haven, fluctuating on average over the four quarters between \$1,380 and \$1,680 per ounce, with a slight downturn at the end of the year.

Forest log volumes decreased 1.2% (s.a), as well as the value of wood exports (-7.8% s.a). Four years ago these volumes attained a level and have been stagnating around 70,000m³ ever since except in 2009 which was a good year).

Additional launcher for the space industry

In 2011, Arianespace made 7 launches at the French Guianese space centre against 6 in 2010. Following a certain number of technical set-backs, 5 launches were recorded for Ariane 5 over the year and for the first time 2 launches on the new Launchpad Soyouz (medium capacity Russian launcher) which took place during the last three months of the year. 2011-2012 have been considered as pivotal years with more launch services being offered by Arianespace, which since the first quarter 2012, now has a complete range of services with the inaugural launch of Vega (European launcher for 1.5 ton loads). Since November 2011 and for the first time in French Guianese space history, Arianespace operational teams were deployed at the same time on the three launch assemblies Ariane, Soyouz and Vega as part of their respective campaigns.

Tourism sector in quest of development

The traffic reported at the Cayenne-Félix Eboué airport continued to grow but at a low rate however, totalling 435,000 passengers at the end of December (that is +2.7 % in 2011, against +3.2 % on average over the last four years). The rate of occupancy of registered hotels remained stable, standing on average over the year at 61.8%, however the number of overnight stays increased by 4.2% after a decline of 3.2% in 2010. Industry professionals have proffered rather positive views regarding their business activity in 2011.

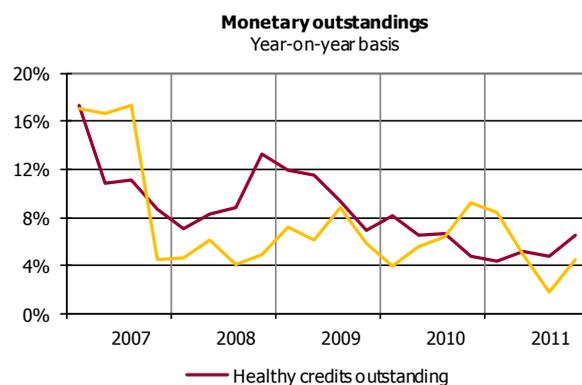
ACCELERATED FINANCING OF THE ECONOMY AT THE END OF THE YEAR

The locally established credit institutions are the main funders of the French Guianese economy. The annual growth of bank loans supported by an increased demand for housing for the most part stemmed from home loans (granted notably to consumers and social landlords) which represent more than 50% of the total outstandings.

This is an extremely promising and competitive market in the territory with outstanding loans that have doubled in four years. Companies (in particular social landlords) account for approximately 50% of the territory's overall debt against 30% for households and 15% for local authorities

Rebound in inflow of savings in the 4th quarter

The collection activity of local credit institutions was subdued over the first three quarters of the year with a decline in overnight deposits and for the first time in three years a decrease in long-term savings during the third quarter of 2011. The fourth quarter saw a net rebound in the inflow of savings which amounted to an outstanding amount of € 1.4 billion at the end of December 2011 with a rise of 4.5% over twelve months (following +9.3 % at the end of December 2010 and +5.8 % at the end of December 2009). This rise was supported by the sound standing of household (€+14.2 M) and corporate (€+22.4 M), overnight deposits, outstandings on Livret A savings deposits accounts (€+10.5 M) and life insurance (€+13 M).



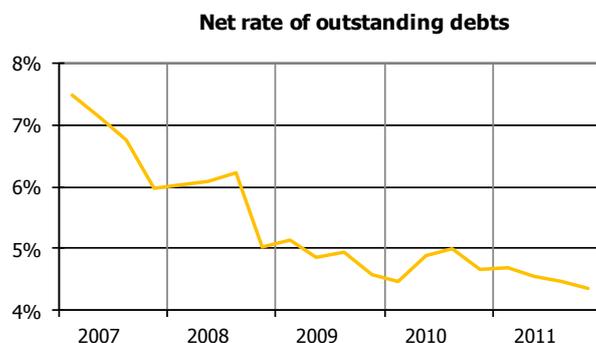
Source: IEDOM, quarterly data SURFI

Increased corporate lending

Even though lending activity has risen, it stagnated somewhat during 2011. Nonetheless, the end of the year was especially buoyant, supported by corporate investment loans. The healthy outstanding loans granted by all the credit institutions (local or otherwise) therefore reached € 3 billion at the end of December 2011, up by 6.6% over a year at the end of December (after +4.7 % at the end of December 2010 and +7 % at the end of December 2009).

Corporate financing amounted to €1.21 billion of healthy outstandings (+7.5% over a year following +0.5% at the end of 2010). The main reason behind this increase is the corporate investment credits outstanding which rose by 19% over a year at the end of December (+53M€). This rise was sharper at the end of the year essentially reported by non-local institutions.

For their part, households had outstandings of €733M at the end of 2011 (+7.9% over a year following +13.9% at the end of 2010). Household investment was stimulated by the high housing demand and the forecast end of certain tax benefits in 2011. Housing loan outstandings rose by 10.8% over a year at the end of December 2011, a rate which was however half that of 2010 (+19.7%) a year that benefited from a historically low interest rate. Against the backdrop of more selective granting policies, the rate of gross local doubtful debts (locally established institutions) decreased by half in five years, standing at 4.3% at the end of December 2011 and remained stable over the year for net doubtful debt outstandings of €31M.



Source: IEDOM, SURFI data, ECIL

OUTLOOK FOR 2012

The first trends for the start of 2010 are well-oriented. However, great attention must be given to the development of prices in connection with fuel costs and the reform of the dock dues systems which may generate pressure. In general, business leaders are expecting an improvement in their business flow according to the forecast of the IEDOM economic survey.

In the space industry, 2012 will see the operational phase of three launchers with an increase in activities. The medium term forecasts are good with an Arianespace order backlog that promises a heightened level of activity for the next three years.

The construction of social housing (ZAC de Macrouria, housing in the Soula zone, ZAC Sainte-Maurice in St Laurent, closure of operations related to the forecast end of certain tax exemption measures) will continue to generate business for the construction sector. Urban planning will also be a particular support with certain projects which had already started at the end of 2011 (Balata interchange and that of the Maringouins, the second Larivot bridge, Matoury commercial complex, Rémire Montjoy eco-district, creation or upgrading of sports facilities and equipment to meet standards as part of the advanced base of the 2014 football world cup and the 2016 Olympic Games in Brazil).

There are favourable prospects for the tourism sector in particular in the cruise ship activity, the opening of new hotels and increase in the number of tourists from Suriname (Guiana shield products).

In the longer run, the issue of mining mineral and energy wealth of the territory can be raised with the discovery of oil offshore French Guiana. This gives reason to hope that within a decade, a fossil energy sector may be established. In the gold-mining sector, the SDOM (Schéma départemental d'orientation minière – Departmental mining plan) came into effect on 1 January 2012, however it is still the topic of many debates and even to a petition by the French Guiana region filed with the Counsel of State.

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